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Date: January 13, 2004
Reference No.:

Circular Letter No.: 200-136-04
Distribution: I, VI

Special:

Circular Letter

TO: **PUBLIC AGENCY EMPLOYERS**

SUBJECT: **SUPERFUNDED RATE PLANS**

Chapter 231 (Assembly Bill 2099, Statutes of 1998) became effective January 1, 1999, and amended Government Code Section 20816. This Section provides that, if the Chief Actuary determines that an employer's rate plan is superfunded (actuarial value of assets exceeds the present value of benefits) as of the most recently completed valuation, the employer may cover its employees' normal member contributions using its employer assets. This would necessitate transferring assets within the Public Employees' Retirement Fund (PERF) from the employer account to the member accumulated contribution accounts.

Attached to this circular letter is a list of rate plans that have been determined to be superfunded for the rate plan year of July 1, 2004, through June 30, 2005. This list was prepared based on the actuarial valuations as of June 30, 2002. For the employers on this list, we anticipate mailing the vouchers necessary to pay for the employees' normal member contributions for fiscal 2004-05 by March 31, 2004.

Because of the declines in stock prices and the negative investment returns experienced by the PERF over the fiscal years 2000-01 and 2001-02, some employer contribution rates have increased substantially. We are concerned this rate increase scenario will continue over the next few years. In a period of rising employer contribution rates, some additional caution is advisable. **We urge you to contact your CalPERS' actuary to discuss what may happen to your rates before you decide to use the vouchers to pay normal member contributions.**

Should you have any questions, please contact the CalPERS' Employer Contact Center at (888) CalPERS (225-7377).

Ronald L. Seeling, Chief Actuary
Actuarial & Employer Services Division

Attachment